

Testimony of Ron Haskins
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Department Operations, Oversight, Nutrition, and Forestry,
Committee on Agriculture
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Chairman Goodlatte, Ranking Member Clayton, and Members of the Subcommittee:

My name is Ron Haskins. I am a Senior Fellow at the Brookings Institution in Washington, DC and a Senior Consultant at the Annie E. Casey Foundation in Baltimore. Until January of this year, I was a staffer with the Committee on Ways and Means where I was privileged to work with the staff of this distinguished Committee in helping draft the 1996 welfare reform legislation. I greatly appreciate the opportunity to appear before your Subcommittee today to talk about the reauthorization of the Food Stamp program and its relationship to welfare reform.

My goal in appearing before you today is to convince the members of this Subcommittee of two important facts about the Food Stamp program. First, even more than in the past, the Food Stamp program has become a vital support to poor and low-income mothers who work. The increase in employment by single mothers since enactment of welfare reform in 1996 has been astounding. In fact, a higher percentage of single mothers are working now than at any time in the past. However, most of the mothers who left welfare for work are earning low wages, usually around \$7 per hour. These mothers need all the support they can get, including Food Stamps. Second, the Food Stamp program as presently constituted is failing the majority of these mothers and children.

To set the stage for considering the increased importance of Food Stamps to low-income families, here is a brief overview of the results of the sweeping 1996 welfare reform legislation. It has been five years since Congress replaced the Aid to Families with Dependent Children program with the Temporary Assistance for Needy Families (TANF) program. Thus, enough time has elapsed that we can now talk with some degree of confidence about its effects.

In a word, TANF has succeeded in achieving its central goal; namely, the reduction of welfare dependency and the growth of personal responsibility. Welfare reform has had major effects on welfare caseloads, on earnings by single mothers, on total income of single parent families, and on child poverty. These effects associated with welfare reform are deep and significant: we have had the first sustained decline in welfare rolls in the history of the program, single mothers are now more likely to work than at any time in the past, the earnings of female-headed families are at an all-time

high, child poverty is at its lowest level since 1979, black child poverty is the lowest ever, and poverty among female-headed families is the lowest ever (see Figure 1).

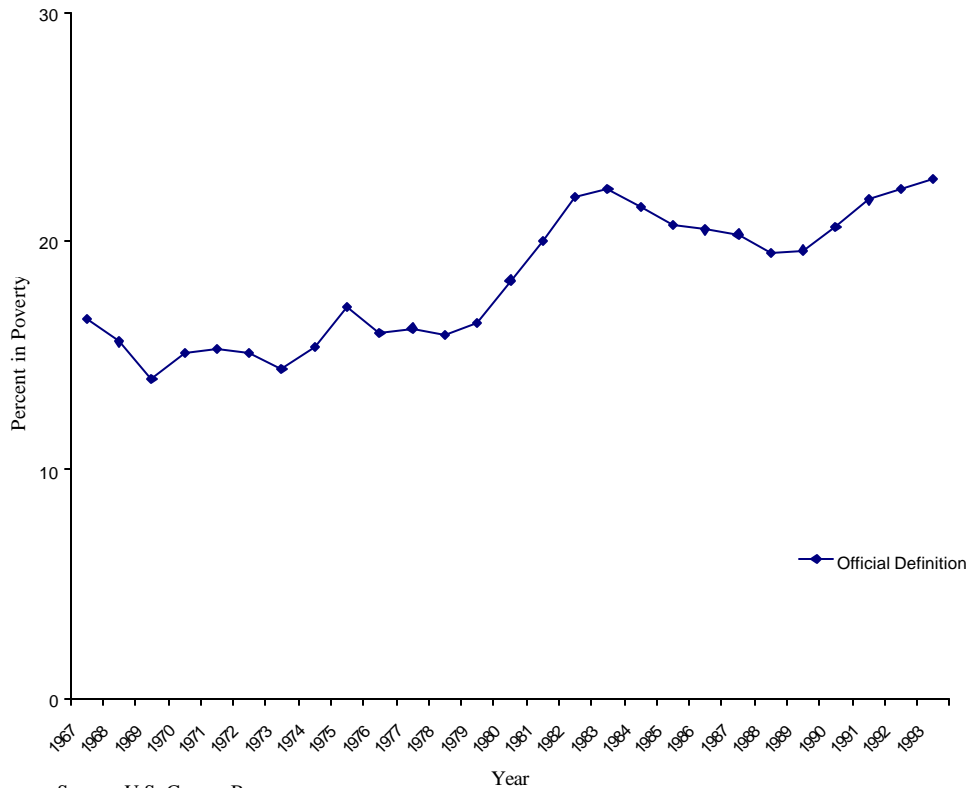
These wonderful effects have been caused by the confluence of three major factors: welfare reform, a robust economy, and a federal system of programs that support working families. I want to direct the Subcommittee's attention to the last factor contributing to the nation's great success in promoting personal responsibility; namely, programs that support working families, or what might be called the nation's "work support system."

Roughly since the mid-1980s, Congress has been creating and expanding a set of programs that support poor and low-income working families (Table 1). By definition, these are programs that provide benefits, not just to people who don't or can't work, but to people who work. Indeed, some of these programs provide benefits only to working families. One of the reasons so many mothers have left welfare is that by combining their earnings, even from low-wage jobs, with benefits from the work support system, they are much better off financially than they were on welfare. Depending on the particulars of the mother's situation and her state of residence, it is not unusual for mothers leaving welfare to have \$6 thousand or even \$8 thousand more in income, even if she is in a job that pays only \$6 or \$7 an hour. In a typical situation, a mother leaving welfare earns \$10,000 per year. If she has two children, she is eligible for an EITC of about \$4,000 and Food Stamps worth about \$2,000, bringing her total income to \$16,000 – well above the poverty level for a family of three (\$14,630 in 2001). Imagine the difference in living standard for this mother and her two children between her earnings of \$10,000 and her total income of \$16,000.

The rationale for the nation's vital work support programs is both that it encourages work and that it increases the income and the living standard of poor and low-income working families. In many cases, the work support benefits allow the family to escape poverty. It is useful for the members of this Subcommittee, with its long history of commitment to helping poor families and children, to ponder why the federal government has deliberately constructed the work support system over a period of nearly two decades.

Unfortunately, it is now clear that because many of our young people emerge from the public schools with a minimum of skills, and because the American economy places a premium on skills, there are millions of young people with children who cannot earn enough to support their families. In the old days, it sometimes seemed that the goal of federal welfare policy was to give these families enough welfare in the form of cash and in-kind benefits, such as Food Stamps and housing, so that they could eke out a subsistence living. Thus, between the early 1960s and 1995, the year before enactment of welfare reform, Congress created scores of new social programs and increased spending on means-tested programs from around \$50 billion to about \$350 billion. Yet child poverty grew steadily throughout the period (Figure 2).

Figure 2
Children's Poverty Increases, 1967-1993



Clearly, the strategy of increased spending was not effective in fighting poverty. Worse, there were unintended effects on behavior. Millions of young, able-bodied Americans became dependent on welfare. Work done in the mid-1980s by David Ellwood and Mary Jo Bane at Harvard, and replicated many times since, shows that at any given moment around 65 percent of the families on the old Aid to Families with Dependent Children program were in the midst of spells that would eventually last eight years or more. Subsequent research by LaDonna Pavetti of Mathematica Policy Research showed that the average length of spells for families on the rolls at any given moment was nearly 13 years. In addition to reducing the incentive to work, another likely behavioral effect of welfare, though not as well established by research, was the effect on marriage. More specifically, many researchers came to believe that welfare served to reduce marriage and thereby increase nonmarital child bearing.

In 1996 Congress decided to radically change the direction of the nation's welfare system and embarked on the new path of mandatory work complimented by the generous income supplements provided through the work support system.

But major problems with the Food Stamp program are greatly detracting from the effectiveness of the work support system. Unfortunately, well over half the families that

leave welfare do not retain the food stamp benefits for which they are qualified, thereby reducing their income by \$2,000 or \$3,000 in most cases. Recent research by Sheila Zedlewski and her colleagues at the Urban Institute, based on interviews of random samples of U.S. households in 1997 and 1999, shows that only slightly over 40 percent of families that leave welfare and have incomes below 130 percent of poverty (about \$19,000 in 2001) actually received food stamps in either year. Moreover, the Zedlewski study found that a major reason families gave for leaving the Food Stamp program even though they were still eligible for benefits was that there were “administrative problems” in maintaining their eligibility. Even worse, Zedlewski found that the percentage of parents who cited administrative problems as the reason they didn’t receive Food Stamps nearly doubled between 1997 and 1999.

What are the administrative problems that make the Food Stamp program so difficult for eligible families to join? For the sake of emphasizing a point, let me exaggerate, but only slightly, by stating that in the TANF program, states are penalized if they don’t put people to work. In the Food Stamp program, states are penalized if they do put people to work. It would be difficult to imagine two programs that are more incompatible than TANF and Food Stamps.

The major cause of the incompatibility is that TANF is a block grant that allows states almost complete flexibility in administration. By contrast, Food Stamps is an open-ended entitlement program that carefully defines through federal statute and regulation who is eligible, how resources are to be treated, how earnings and other income are to be treated, and how a host of other details are to be handled by states as they administer the program. TANF gives states a blank slate on which to develop their own rules and regulations; Food Stamps gives states an encyclopedia of federal rules and regulations that states must follow.

And hanging over all the federal Food Stamp rules and regulations is the federal Quality Control (QC) system. The QC system, of course, is necessary because Food Stamp benefits are paid for entirely by federal funds but states administer the program. If there were not some mechanism to hold states accountable for their administrative accuracy, there could be substantial waste in the program – and big increases in federal spending. However, the problem arises because, as the Center on Budget and Policy Priorities (2000) has shown, in virtually every state Food Stamp cases that include a worker have higher error rates than cases in which no one works. The reason for this difference is clear enough. Especially among low-income families, there are frequent changes in earnings because low-income workers experience frequent changes in hours and even jobs. Thus, it is very difficult for states to know about, let alone keep track of, these frequent changes in earnings. As a result, state Food Stamp calculations for working families are often based on outdated information and are therefore in error. These errors are detected by the Quality Control program and often result in fines against the state.

Based on the above analysis, it seems clear that the Food Stamp program has a serious problem that the Subcommittee should carefully examine and try to solve.

Mothers who have left welfare and are responsible both for rearing their children and earning most of their family's income are a very worthy group. Unless I misread the poll results, American taxpayers want to help poor and low-income families that are working full time. That is why Congress has developed such a remarkable work support system that provides generous benefits (around \$70 billion in 1999) to poor and low-income working families. But now we are confronted with the clear fact that over half the eligible families leaving welfare do not receive Food Stamps, one of the most important and valuable work support benefits. Much of the problem stems from the fact that Food Stamp administration by states is micromanaged from the federal level.

I will leave it to other witnesses, especially those representing administrators who conduct the Food Stamp program at the state level, to provide specific details of how the program's administrative problems could be solved. However, I would like to suggest the general outlines of a set of reforms that I recommend the Subcommittee to consider carefully. First, it seems obvious that there are three rather distinct populations in the Food Stamp program: the disabled, the elderly, and the non-elderly able-bodied. By contrast with the disabled and elderly, the able-bodied are expected to work. But if they do work, states are faced with the difficulties, reviewed above, involved in correctly calculating benefits. Thus, states should be permitted to apply a different quality control program to workers, leaving those who don't work subject to the current system. The Food Stamp statutes should set a minimal set of conditions that states must meet to establish a separate program for workers and the Food and Nutrition Service should have little discretion in granting the separate program.

Second, this separate system should provide states with the option to grant families leaving welfare for work with a Food Stamp benefit that is based on their starting salary and is fixed for at least six months. Subsequently, the state would be responsible for verifying income only at six-month intervals. The quality control program would hold states accountable for obtaining the correct earnings at the beginning of each six-month period and for computing the Food Stamp benefit correctly based on earnings and other characteristics of each case. States would be allowed to develop their own methods of obtaining earnings information. If a recipient's income changes during the six month hold-harmless intervals, states would not be held accountable for recalculating the benefit amount based on these income variations. States would, however, be held accountable for verifying income every six months and for making accurate benefit adjustments based on the new income information or other change in circumstances. The recipient would have the right to apply for benefit recalculation at any time.

Third, states should be given much more flexibility in determining the value of an automobile a family can have and still qualify for Food Stamps. The current limit of \$4,650 is far too low, especially now that so many single mothers are working. As the members of this Subcommittee can well understand, reliable transportation is an absolute necessity for a working family. Thus, families should be allowed to have a vehicle worth more than the current limitation. Again, I would trust the wisdom of the Subcommittee to establish the correct approach to setting the vehicle limit, but at a minimum the new

provision should allow states to use the same vehicle test they establish under their TANF program.

Finally, the Federal government needs greater assurance that states are fully informing low-income families, especially those leaving welfare, of their right to continue receiving Food Stamps as long as their income is less than 130 percent of the poverty level. This issue can probably be handled at the Administrative level without any statutory changes. However, the Subcommittee should be vigorous in informing the Food and Nutrition Service that state outreach is essential and that the Subcommittee will carefully monitor the performance of the Food and Nutrition Service in providing leadership to ensure that states are conducting aggressive programs to help recipients leaving the TANF program maintain their eligibility for Food Stamps.

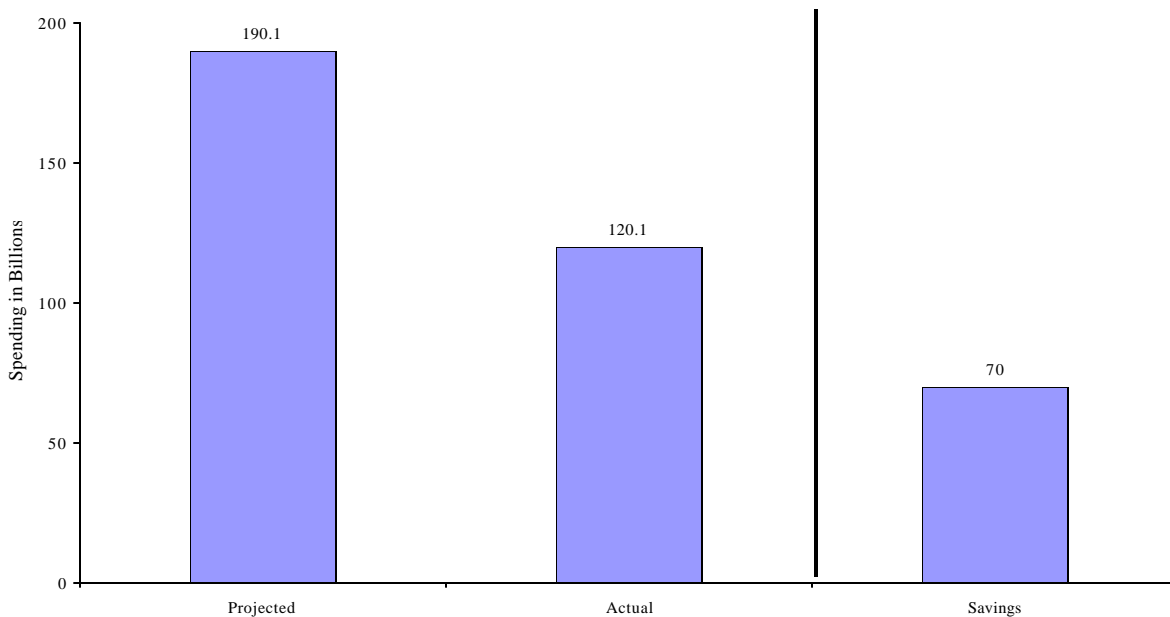
During the closing days of the Clinton Administration, the Food and Nutrition Service took regulatory action to establish policies similar to the ones outlined above. Although I am in complete agreement with the substance of these regulations, there are at least two reasons the Subcommittee should deal with these important issues in statute. First, at least in my view, the magnitude of these issues is sufficient to require that they be spelled out in statutes rather than regulation. No Administration, Republican or Democratic, should be allowed to exercise the discretion exhibited by these regulations. Congress must jealously protect its right to legislate. The line between regulating and legislating is inherently somewhat gray, but these regulations seem to cross the boundary of appropriate regulation.

Second, states are reporting difficulty in getting both the Food and Nutrition Service and the Office of Management and Budget to approve their plans to improve administration of the Food Stamp program. In creating the TANF block grant program, Congress included provisions that gave the Secretary of Health and Human Services minimal discretion in approving state plans to create their own TANF programs. The dramatic success states have had in reforming their welfare programs shows beyond any reasonable doubt that states deserved the confidence Congress showed in giving them such flexibility. In similar fashion, it seems reasonable to give states much greater flexibility to design and implement their own Food Stamp program for working families. This is especially the case because the Quality Control system, revised along the lines suggested above, will ensure accountability. If anything, more flexibility for states requires even greater accountability for outcomes.

Finally, it seems likely that if the Subcommittee created legislation along the lines outlined here, the Congressional Budget Office (CBO) would attach some cost to the legislation. In this regard, I would like to call to the Subcommittee's attention the truly surprising level of savings in the Food Stamp program over the past several years. The Food Stamp reforms initially designed by the Agriculture Committee in 1996 were estimated to save \$23 billion between 1997 and 2002. Net of these savings, CBO estimated in 1996 that Food Stamp spending over the period 1997 to 2002 would total \$190.1 billion. However, if we compare the 1996 projection with actual spending in the years 1997 to 2000 and projected spending for 2001 and 2002 from the most recent CBO

baseline, it appears that only \$120.1 billion will actually be spent. In other words, it now appears that the Federal government will realize about \$70 billion in additional savings from the Food Stamp program (Figure 3).

Figure 3
Projected and Actual Food Stamp Spending, 1997-2000



Source: Congressional Budget Office Documents

Of course, under CBO rules, the Committee cannot claim any of these savings. Even so, there is no question that a major part of this \$70 billion is attributable directly to welfare reform because so many more mothers left welfare than expected and the number of these families who did not receive Food Stamps is unexpectedly large. Thus, members of this Subcommittee can justify the additional spending that will result from the types of changes recommended in my testimony on the grounds that the Food Stamp program has spent so much less money than expected for five consecutive years. Saving government money is not always a good thing.

By way of summary, the Food Stamp program, in part because of the Quality Control system, is failing large numbers of poor and low-income working families that are eligible for Food Stamps but are not receiving them. In the typical case of a single mother with two children earning \$10,000, the mother qualifies for about \$2,000 in Food Stamps. This amount of money would make a tremendous difference in the living

standard of this mother and her children. Moreover, if all or nearly all the working families qualifying for Food Stamps were to actually receive the benefit, child poverty would decline substantially. States could reach many more of these families if they were allowed to reform the administrative rules of the portion of the Food Stamp program that provides benefits to working families. If the Subcommittee helps states achieve the flexibility needed to coordinate the Food Stamp and TANF programs, hundreds of thousands of poor and low-income families are going to have their standard of living substantially improved.

References

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